

SUBCOMMITTEE NO. 3

Health, Human Services, Labor & Veteran's Affairs

Agenda

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill



Agenda – Part B

Thursday, April 12, 2007
Upon Adjournment of Session
Room 4203 (John L. Burton Hearing Room)
(Consultant: Bryan Ehlers)

Discussion Agenda

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8950 Department of Veterans Affairs

The California Department of Veterans Affairs (CDVA) has three primary objectives: (1) to provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) to afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) to provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy, Fresno, and Redding.

The Governor's budget funds 1,608.6 positions (including 8.0 new positions) and budget expenditures of \$349 million for the department, including the veterans' homes.

For the three veterans' homes, the Governor proposes a four percent funding increase, as shown below.

Home	Funding 2006-07*	Proposed Funding 2007-08*
Yountville	\$82,333	\$85,172
Barstow	15,535	18,303
Chula Vista	26,348	26,020
TOTALS	\$124,216	\$129,495

(*dollars in thousands)

DISCUSSION AGENDA:

CDVA Issue 1: Steps Taken to Correct Deficiencies in Fiscal Controls as Well as Inconsistencies in Budget Documents

Last year, in response to budgeting errors and inconsistencies in budget documents produced by the CDVA, the Legislature adopted the following Budget Bill Language (Provision 2 of Item 8955-001-0001):

The Department of Veterans Affairs shall, in consultation with the Department of Finance, provide a report to the Legislature by January 10, 2007, on the status of its efforts to identify and correct deficiencies in fiscal controls as well as

inconsistencies in budget documents. The report shall include a summary of its findings and steps taken to ensure that appropriate processes are in place to produce accurate budget documents that support effective fiscal oversight.

Staff Comments: Given the number and magnitude of new CDVA requests, the Subcommittee may wish the CDVA to briefly outline the steps it has taken to address the issues which prompted the legislative action.

CDVA Issue 2: Finance Letter – Negative BCP for Equipment Replacement Program & Baseline Adjustment for Operating Expense & Equipment

The CDVA is seeking to reduce a General Fund augmentation originally requested in the amount of \$3,205,000 by \$1,205,000 for a new base total of \$2,000,000 for ongoing maintenance and equipment replacement at the veterans homes and headquarters. Additionally, the CDVA is seeking to reduce a General Fund augmentation originally requested in the amount of \$1,527,000 by \$702,000 for a new base total of \$825,282 for operating expenses and equipment costs specifically related to residents and census.

Staff Comments: The LAO noted concerns with the methodology and accuracy of the two original BCPs addressed in this Finance Letter. This proposal corrects errors in those BCPs (BCP#35 and BCP#36) and addresses the issues raised by the LAO; however, given the concerns noted above in Issue #1, the Subcommittee may wish the CDVA to explain how these significant budgeting oversights (totaling nearly \$2 million) still occurred in the face of increased vigilance.

Staff Recommendation: APPROVE the Finance Letter.

VOTE:

CDVA Issue 3: BCP – GLAVC Veterans Homes Start-up Costs for Construction and Staffing

The CDVA requests 8.0 positions and \$995,000 General Fund in Budget Year (BY) and 20.0 positions and \$2.1 million General Fund in BY+1 for the construction and pre-activation phases of the Greater Los Angeles/Ventura Counties (GLAVC) Veterans Homes.

The CDVA is engaged in the development of new homes in West Los Angeles, Ventura, and Lancaster that will add approximately 616 beds to the veterans' home system. Current bidding and construction schedules show that the bids for all three homes are to be received in February 2007 with construction to start in July. Construction will last 18 months for both Lancaster and Ventura and 30 months for West Los Angeles.

Staff Comments: The LAO expresses concern that the proposed staffing plan is overly aggressive given that the CDVA would be hiring many staff 18 and 30 months in

advance of the homes being completed. Additionally, the LAO notes that some equipment costs appear dramatically overstated (for example, five Blackberry devices at \$8,000 each). The LAO recommends reducing the proposal by \$374,000, including \$228,000 in personal services relating to the timing of positions and \$146,000 in operating expenses and equipment.

Staff Recommendation: APPROVE the LAO recommendation.

VOTE:

CDVA Issue 4: BCP – Enterprise-wide Veterans Homes Information System (VHIS)

The CDVA requests funding to procure and implement a new Veterans Homes Information System (VHIS) for the new West Los Angeles, Ventura, and Lancaster veterans homes located in the Greater Los Angeles/Ventura Counties (GLAVC) and to replace the current Meditech system utilized at the existing homes in Yountville, Barstow, and Chula Vista.

Staff Comments: According to the CDVA, this request is driven by two factors:

1. The CDVA has been unable to renegotiate a support and maintenance contract with Meditech, the author of the off-the-shelf health care information system currently used in the three existing veterans homes. Due to the CDVA's immediate support needs, the Department of General Services has allowed the CDVA to enter into a one-year non-competitive bid contract with a third-party vendor.
2. The CDVA must provide a computerized information system at the new GLAVC homes in order to collect Medicare reimbursements from the federal government and the current Meditech system is not a plausible option given issues cited above. Additionally, utilizing a computerized information system will eventually create efficiencies for caregivers and allow them to spend more time with patients and less time documenting, thereby improving quality of patient care.

Staff notes that the CDVA has explored electronically integrating the State Veterans Home Electronic Medical Record with the VistA system used by more than 1,300 federal Veterans Affairs facilities, but to-date has not met with success (the federal government has never granted read/write VistA access to any state). According to the CDVA, the state of Oklahoma spent more than 18 months attempting to gain similar access but ultimately implemented its own version of the VistA software.

This proposal can be accurately labeled as California's "Oklahoma" option, and appears to represent a reasonable option given the apparent infeasibility of integrating with the federal VistA system at this time. However, the Subcommittee will want the CDVA to verify that this project has an approved Feasibility Study Report and may wish the Office of Technology Review, Oversight, and Security to comment on the proposal.

Staff Recommendation: APPROVE as budgeted.

VOTE:

CDVA Issue 5: BCP – Information Technology Infrastructure Upgrade

The CDVA requests 1.0 two-year limited-term personnel year, \$6.5 million in Budget Year (BY), and \$928,000 in BY+1, for a one-time Information Technology (IT) Infrastructure Upgrade to replace aged and obsolete hardware and software.

Staff Comments: Currently, 80 percent of the CDVA's business operations are related to administering the healthcare-related services provided at the Veterans' Homes. As a result, the operational capacity and reliability of the CDVA's technical infrastructure and computer systems are integral to providing quality medical and long-term care, as well as remaining compliant with state and federal regulations. The project Feasibility Study Report (FSR) documents the fact that 90 percent of the CDVA IT infrastructure is at least five years or older and in need of an upgrade.

However, staff notes the FSR also indicates that certain elements of the request (for example, the voice telecommunications infrastructure at Chula Vista and Headquarters) will reach end of life over the next four years and are not necessarily in need of immediate replacement. While the CDVA proposes to purchase most of the requested IT components in BY, given current General Fund constraints, the Subcommittee may wish to consider shifting the purchase of the PBX Telecommunications at Chula Vista and Headquarters into BY+1, requiring the CDVA to make-do with existing technology for an additional year, and saving approximately \$820,000 in BY.

Similar to Issue 4 above, the Subcommittee will want the CDVA to verify that this project has an approved Feasibility Study Report and may wish the Office of Technology Review, Oversight, and Security to comment on the proposal.

Staff Recommendation: APPROVE request, but shift expenditures for PBX Telecommunications at Chula Vista and Headquarters to BY+1.

VOTE:

**CDVA Issue 6: BCP – Reverse Budgetary Authority Levels
Approved FY 05/06 for Chula Vista RCFE to ICF
Conversion**

The CDVA seeks to reverse the budgetary authority levels approved for the Chula Vista veterans' home in a Fiscal Year 2005-06 BCP because the CDVA has not implemented the planned conversion of the Residential Care Facility for the Elderly (RCFE) into an Intermediate Care Facility (ICF). This request would:

1. Decrease General Fund reimbursement authority by \$1,498,000.
2. Decrease Federal Trust Fund reimbursement authority by \$485,000.
3. Increase General Fund authority by \$940,000.

Staff Comments: The CDVA originally planned to convert, at minimal cost, the 55-bed RCFE at the Chula Vista home to a 55-bed ICF. However, during the conversion implementation process, the CDVA became aware that the project was not physically or financially feasible due to fire and building code regulations, the need for revised architectural drawings and specifications, and increased project costs. The CDVA indicates that approximately \$5,100 was expended on the conversion before it was abandoned.

From a budgeting perspective this proposal represents a net cost to the General Fund because under the previous proposal the state expected to receive increased General Fund and Federal Fund reimbursements through Medicare, Medi-Cal, and higher federal Veterans Administration per diem payments resulting from providing ICF beds instead of RCFE beds. However, staff notes that the requested return to 2004-05 funding levels is necessary in order to fully fund the care required by current occupants of the Chula Vista RCFE. Despite the failed conversion, a shortage of beds at all levels of care at veterans' homes warrants continued funding of the RCFE.

Staff Recommendation: APPROVE as budgeted.

VOTE:

CDVA Issue 7: BCP – Reopen 40-Bed VHC-Barstow SNF (20 beds in 07/08 and 20 beds in 08/09)
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The Veterans Home of California-Barstow (VHC-B) requests 18.0 PYs and \$2.3 million in Budget Year (BY) and 51.0 PYs and \$4.5 million in BY+1 to reopen the Skilled Nursing Facility (SNF) beginning January 2008.

Staff Comments: In March 2003, the CDVA voluntarily suspended the SNF license at the Barstow facility due to a history of inconsistent practices in meeting the state licensing and federal certification requirements. As a result, SNF residents who did not choose to arrange their own care had to be relocated.

Subsequently, the United States Department of Veterans Affairs (USDVA) notified the CDVA that unless the VHC-B exceeded a 75 percent use rate, the state would be required to repay the USDVA approximately \$18.75 million in federal construction grants. With current use at under 40 percent, the CDVA responded by preparing a 6-year plan to bring the VHC-B's census back up to near capacity.

The proposed 6-year plan would add 40 SNF beds in 2007-08, and reach a total of 100 by 2011-12. Given that the CDVA reports a waiting list of several hundred for SNF beds and estimates 206 SNF beds will be needed at Barstow by 2010 based upon its catchment area, there appears to be an existing as well as an ongoing demand for the requested beds and associated resources. However, the Subcommittee may wish to have the CDVA outline the steps that have been taken to ensure that the health and safety of residents and the VHC-B's SNF license will not be placed in jeopardy again in the future.

Staff Recommendation: APPROVE as budgeted.

VOTE:

CDVA Issue 8: BCP – Position Funding Alignment

The CDVA requests 25.0 full-time positions and \$2.8 million in ongoing General Fund.

Staff Comments: The requested positions were previously special funded under the Farm and Home Program; however, they were realigned to the General Fund in 2006-07 due to a significant decline in program activity. During last year's hearings, the CDVA was unable to provide adequate justification to keep the positions and funding on a permanent basis, and Provision 1 of Item 8955-001-0001 was adopted as part of the Budget Act of 2006, to require the CDVA to bring forth a more thorough-going workload analysis in the 2007-08 budget cycle.

This request reflects the above requirement, and contains workload data intended to document the ongoing need for the 25.0 positions. However, staff still has questions outstanding regarding the analytical basis for the data submitted and continues to work with CDVA staff to verify the accuracy of the workload provided.

Staff Recommendation: HOLD OPEN and request the CDVA to continue working with staff to clarify workload justification.

VOTE-ONLY AGENDA:

Vote-Only Issue 1: BCP – Baseline Adjustment for Increased Federal Reimbursements and Increased Medicare Costs

The CDVA requests (1) an additional \$4.7 million in federal reimbursement authority to reflect an increase in the per diem rate the United States Department of Veterans Affairs pays the veterans homes; and (2) \$1.8 million in additional General Fund authority to reflect an increase in Medicare costs. Because the federal reimbursements act as an off-set to the General Fund, this request would result in a net General Fund benefit of \$2.9 million.

Vote-Only Issue 2: BCP – Personal Services Contracts Adjustment

The CDVA requests \$71,000 to fund increased Personal Services contract costs for the two existing Southern California Veterans Homes (Chula Vista--\$53,000; and Barstow--\$18,000). The Service Employees International Union Local 1000 recently negotiated general salary increases for employees within its nine bargaining units effective July 1, 2006 and statute requires Personal Service contracts to include employee compensation valued at no less than 85 percent of the state employer cost of providing comparable wages and benefits to state employees performing similar duties. This proposal would support the increased costs that will be incurred at the Southern California Veterans Homes.

Vote-Only Issue 3: BCP – Veterans Claims Representation at District Offices

The CDVA requests conversion of 2.0 two-year limited-term (LT) positions to permanent at the CDVA Veteran Services District Office in Los Angeles and San Diego. These positions were established as LT in the 2005-06 budget cycle and will expire on June 30, 2007.

Vote-Only Issue 4: COBCP – Improve Kitchen Cooling System

The CDVA, Veterans Home of California in Barstow requests \$153,000 General Fund to upgrade an ineffective evaporative cooling (swamp cooler) system with an air conditioning system in the kitchen.

Vote-Only Issue 5: COBCP – Member Services Building Renovation

The CDVA requests \$13,381,000 in Federal Trust Fund authority to utilize a Federal grant for the construction phase of an ongoing building renovation project. The state share of the project was authorized in the Budget Act of 2006.

Vote-Only Issue 6: COBCP – Kennedy Hall (Section ‘H’) Parking Lot

The CDVA, Veterans Home of California in Yountville (VHC-Y) requests \$226,000 General Fund to increase the amount of Americans with Disabilities Act-compliant, adequately lighted, and properly drained parking for the elderly female veterans who reside in Kennedy Hall (Section H) at the VHC-Y.

Vote-Only Issue 7: COBCP – Emergency Generator

The CDVA, Veterans Home of California in Barstow requests \$445,000 General Fund to purchase an emergency generator system in order to be able to provide air conditioning to nursing patients during a power outage.

STAFF RECOMMENDATION ON VOTE-ONLY ITEMS: APPROVE as budgeted.

VOTE on Vote-Only Issues 1 through 7: